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FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)
(X) QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended April 30, 1992.

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the transition period from.....to.....

Commission file number 0-18296

INNOVO GROUP INC.
(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	11-2602030 (I.R.S. Employer Identification No.)
27 North Main Street Springfield, Tennessee (Address of principal executive offices)	37172 (zip code)

Registrant's telephone number, including area code: (615) 384-0100

.....

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or Section 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been the subject to such filing requirements for the past 90 days.

Yes X No_____

Indicate the number of shares outstanding of each issuer's classes of common stock, as of the latest practicable date.

Class	Issued as of June 10, 1992
Common stock, par value of $.01 per share	10,441,309

(30)

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PART I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS

INNOVO GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(000's)

ASSETS	April 30, 1992 (Unaudited)	October 31, 1991 (Restated)
CURRENT ASSETS		
Cash and cash equivalents	$ 47	$ 877
Accounts receivable, less allowance of $228 in 1992 and $20 in 1991	4,287	5,337
Inventories (Note 3)	5,577	4,654
Other current assets	3,337	1,472
TOTAL CURRENT ASSETS	13,248	12,340
PROPERTY PLANT AND EQUIPMENT, less accumulated depreciation and amortization of $328 and $158	2,906	2,799
DEFERRED CHARGES net amortization of $118 and $278	2,783	1,795
OTHER ASSETS	1,890	2,062
TOTAL ASSETS	$ 20,827	$ 18,996
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable (Note 4)	$ 5,363	$ 450
Accounts payable	3,587	3,847
Accrued expenses	592	3,322
Income taxes payable	1,394	1,410
Current maturities of long-term debt (Note 4)	77	112
TOTAL CURRENT LIABILITIES	11,013	9,141
LONG-TERM DEBT, less current maturities (Note 4)	42	78
DEFERRED RENT	31	27
TOTAL LIABILITIES	11,086	9,246
STOCKHOLDERS' EQUITY		
Common stock $.01 par; shares authorized 20,000,000; issued 10,441,309 in 1992 and 1991 (Note 6)	104	104
Additional paid-in capital	10,712	10,712
Retained earnings	2,382	2,309
Treasury stock 766,842 in 1992, 750,000 in 1991	(3,457)	(3,375)
TOTAL STOCKHOLDERS' EQUITY	9,741	9,750
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 20,827	$ 18,996

See notes to condensed consolidated financial statements.

INNOVO GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(000's except per share information)

	Three months ended April 30,		Six months ended April 30,	
	1992	1991	1992	1991
NET SALES	$ 5,034	$ 2,503	$ 13,048	$ 4,030
COST OF GOODS SOLD	2,632	1,369	6,384	2,250
GROSS PROFIT	2,402	1,134	6,664	1,780
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,984	702	6,472	1,387
INCOME (LOSS) FROM OPERATIONS	(582)	432	192	393
INTEREST INCOME (EXPENSE)	(76)	(11)	(115)	(26)
OTHER INCOME (EXPENSE) - NET	47	(22)	30	108
INCOME (LOSS) BEFORE TAXES ON INCOME	(611)	399	107	475
TAXES ON INCOME	(209)	136	34	173
NET INCOME (LOSS)	$ (402)	$ 263	$ 73	$ 302
PRO FORMA AMOUNTS (Note 7)				
Income before taxes		$ 399		$ 475
Income taxes: Current		136		162
NET INCOME (LOSS)	$ (402)	$ 263	$ 73	$ 313
EARNINGS (LOSS) PER SHARE:	$ (.04)	$ .03	$ .01	$ .04
WEIGHTED AVERAGE SHARES OUTSTANDING	9,676,000	8,054,000	9,676,000	8,001,000

INNOVO GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)
SIX MONTHS ENDED APRIL 30, 1992

(000'S)

	SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	TOTAL
BALANCE, OCTOBER 31, 1991, as previously reported	10,441,309	$ 104	$ 10,712	$ 2,243	$ (3,375)	$ 9,684
Adjustment for effect of a change in accounting principle that is applied retroactively (Note 2)	-	-	-	66	-	66
BALANCE, OCTOBER 31, 1991, as adjusted	10,441,309	$ 104	$ 10,712	$ 2,309	$ (3,375)	$ 9,750
PURCHASE OF TREASURY STOCK	-	-	-	-	(82)	(82)
NET INCOME	-	-	-	73	-	73
BALANCE, APRIL 30, 1992	10,441,309	$ 104	$ 10,712	$ 2,382	$ (3,457)	$ 9,741

INNOVO GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(000's)

	Six Months ended April 30, 1992	1991
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	$ 73	$ 302
Adjustments to reconcile net income to net cash provided by operating (used in) activities:		
Depreciation and amortization	320	40
Amortization of deferred charges	-	-
Changes in assets and liabilities:		
Accounts receivable	1,050	99
Inventory	(923)	(529)
Other current assets	(1,865)	7
Deferred charges	(988)	(8)
Other assets	22	(35)
Accounts payable	(260)	269
Accrued expenses	(2,730)	82
Accrued FIT payable	(16)	(69)
Deferred Rent	4	-
Net cash provided by operating activities	(5,313)	158
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(277)	(80)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase of treasury stock	.82)	-
Proceeds from warrant conversion	-	566
Net proceeds from notes payable	4,913	(227)
Proceeds from (repayments of) long term debt	(71)	14
Net cash provided by (used in) financing activities	4,760	353
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(830)	431
CASH AND EQUIVALENTS, (beginning of year)	877	500
CASH AND EQUIVALENTS, (end of period)	$ 47	$ 931

INNOVO GROUP INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1: BASIS OF PRESENTATION

The condensed consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These condensed consolidated financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the period ended October 31, 1991.

In the opinion of the management of the Company, the accompanying unaudited condensed consolidated financial statements contain all necessary adjustments to present fairly the financial position, the results of operations and cash flows for the periods reported. All adjustments are of a normal recurring nature.

The results of operations for the above periods are not necessarily indicative of the results to be expected for the full year.

NOTE 2: CHANGE IN ACCOUNTING PRINCIPLE - ACCOUNTING FOR INCCME TAXES

On December 30, 1991, the Financial Accounting Standards Board issued statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". The effective date for this statement is for fiscal years beginning after December 15, 1992. During the quarter ended April 30, 1992 the Company completed the complex analysis required to estimate the impact of adopting the statement and has elected to adopt the statement early and restate prior years financial statements.

For the period ended October 31, 1991, adoption results in an approximate $2,000,000 deferred income tax refund of which approximately $250,000 is current. This restatement relates to the acquisition of Nasco, Inc. The accompanying 1991 financial statements have been restated to reflect the adoption of this statement. This required a reallocation of the original purchase price resulting in a reduction of approximately $1,,000,000 in both property, plant and equipment and other assets. These reductions result in an approximate $100,000 decrease in depreciation and amortization expense in both the first quarter of 1992 and the fiscal period ended October 31, 1991, as well as a reduction in income tax expense of approximately $34,000 for both periods.

NOTE 3: INVENTORIES

Inventory consisted of the following:

	April 30, 1992	October 31, 1991
	(000's)	
Finished goods	$ 3,926	$ 3,416
Work-in-process	188	210
Raw Materials	1,463	1,028
Totals	$ 5,577	$ 4,654

NOTE 4: NOTES PAYABLE AND LONG-TERM DEBT

At April 30, 1992, notes payable and long-term debt consisted of the following:

Note payable to bank is the used portion of a $8,000,000 credit facility bearing interest at prime plus 1 1/2% maturing March 3, 1994, collateralized by accounts receivable, inventory and personal guarantee of the Company president.	$4,149,418
Notes payable to individuals bearing interest at 10%, unsecured, maturing thru October, 1, 1992	514,000
Note payable to bank is the used portion of a $900,000 line of credit bearing interest at prime plus 2% maturing June 23, 1992, collateralized by the physical facility of Nasco, the guarantee of Innovo Group Inc., and the personal guarantee of the Company's president	700,000
Total notes payable	$5,363,418

Note payable to bank bearing interest at prime plus 1.5%, maturing August 4, 1995, with monthly payments of $1,000 plus interest, collaterized by equipment and guarantee of the Company's president	$ 39,912
Note payable to bank bearing interest at prime plus 1.5%, maturing May 4, 1995, with monthly payments of $566 plus interest, collaterized by equipment, inventories and personal guarantee of the Company's president	20,656
Note payable to bank bearing interest at prime plus 1%, maturing April 20, 1993, with monthly payments of $4,167 plus interest, collaterized by equipment, inventories and personal guarantee of the Company's president	50,000
Note payable to insurance company bearing interest at 7.25%, interest and principal payable monthly in equal installments of $8,644, maturing May 1, 1992	8,644
	119,212
Less current maturities	(77,436)
Total long-term debt	$ 41,776

The prime rate was 6.5% at April 30, 1992.

NOTE 5: CONTINGENCIES

In the opinion of management no events since October 31, 1991 have occurred, other than in the ordinary course of business, that would have a material adverse effect upon the financial position of the Company.

NOTE 6: STOCKHOLDERS' EQUITY

As of April 30, 1992, the Board of Directors had reserved 500,000 shares of the Company's Common Stock for issuance under its stock option plan (the "Plan"). Options of 445,624 shares have been granted under the Plan as qualified incentive stock options. The Plan was submitted to the shareholders and approved at their annual meeting held May 28, 1992, and the total reserved for issuance was increased to 1,000,000 at that time.

During the quarter ended April 30, 1992, approximately $18,792 was paid as part of the Stock Bonus Plan. The shares acquired are reflected as treasury stock.

NOTE 7: INCOME TAXES

Prior to July 9, 1988, Innovo, Inc., was a S corporation for tax purposes. No provision was made for income taxes through that date since such taxes, if any, were the liability of the previous stockholder. On July 9, 1988, Innovo, Inc. was disqualified as a S corporation as a result of its acquisition by Clark Lease-Rite, Inc. From July 9, 1988 through August 2, 1990, Innovo, Inc., was a subsidiary of Clark Lease-Rite, Inc. and filed its federal income taxes as a member of that consolidated group. Under a tax allocation agreement, the former parent company's effective income tax rate for 1990 was passed along to Innovo, Inc. Consequently, most of the Company's 1990 net income was not taxable as it was earned prior to August 2, 1990, and the former parent company did not pay any income taxes at the consolidated level.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations: Three months ended April 30, 1992 vs. Three months ended April 30, 1991

Net sales for the three months ended April 30, 1992 increased 101% to $5,034,000 from $2,503,000 for the same period ended April 30, 1991. This increase resulted principally from the acquisition of Nasco, Inc. (NASCO).

Gross profit as a percentage of net sales was 48% for the three months ended April 30, 1992 as compared to 45% for the same period ended April 30, 1991. This increase was due to lower cost associated with the NASCO product lines and new products with lower cost introduced at Innovo, Inc. (INNOVO).

Loss from operations for the three months ended April 30, 1992 was $582,000 as compared to income from operations of $432,000 for the same period ended April 30, 1991, reflecting a decrease of $1,014,000. The decrease is attributable to higher selling, general and administrative expenses as a percentage of net sales due to the normal reduction of school fundraising business during this time period.

Earnings (loss) per common share was $(.04) for the three months ended April 30, 1992 as compared to $.03 for the same period ended April 30, 1991.

Results of Operations: Six months ended April 30, 1992 vs. Six months ended April 30, 1991

Net sales for the six months ended April 30, 1992 increased 224% to $13,048,000 from $4,030,000 for the same period ended April 30, 1992. This increase resulted principally from the acquisition of NASCO.

Gross profit as a percentage of net sales was 51% for the six months ended April 30, 1992 as compared to 44% for the same period ended April 30, 1991. This increase was due to lower cost associated with the NASCO product lines and new products, with lower cost introduced at INNOVO.

Income from operations for the six months ended April 30, 1992 was $192,000 as compared to $393,000 for the same period ended April 30, 1991, reflecting a decrease of $201,000. The decrease is attributable to a higher percentage of selling, general and administrative expenses as a percentage of net sales associated with the normal reduction of school fundraising business during this time period.

Earnings per common share was $.01 for the six months ended April 30, 1992 as compared to $.04 for the same period ended April 30, 1991.

Liquidity and Capital Resources

The Company's working capital decreased from $3,199,000 at October 31, 1991 to $2,235,000 as of April 30, 1992, a reduction of $964,000. This decrease resulted primarily from the funding of promotional materials, catalogues and other product development.

Cash outflow from 1992 operations was financed by advances on the new credit facility at National Bank of Detroit (NBD).

On March 3, 1992 the Company entered into a new two-year, $8 million credit facility with the NBD. Other bank participants include Dominion Bank, Nashville, Tennessee and Sugar Creek National Bank, Sugar Land, Texas. The purpose of the facility was to repay existing working capital indebtedness and provide for future working capital and letter of credit requirements.

The credit facility is secured by accounts receivable and inventory under a borrowing base formula for each subsidiary company. Borrowing's under the facility bearing prime rate plus 1 1/2% are payable upon demand. There is an unused facility fee of 1/2% payable quarterly on the unused portion of the facility. The initial advance under the facility was $2.7 million, $2.4 million of which was used to repay or reduce existing working capital loans with Sugar Creek National Bank, The Farmers Bank, the termination of the CIT factoring arrangement and $300,000 of which was used for ongoing working capital requirements.

Subsequent to April 30, 1992 the Company completed the placement of $2,000,000 of subordinated collateralized notes due December 2, 1992. The Company believes its working capital and available lines of credit together with the proceeds from the subordinated collateralized notes will be adequate to meet its foreseeable operating requirements.

PART II: OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

NONE

Item 6. EXHIBITS AND REPORTS ON FROM 8-K

NONE

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned there unto duly authorized.

INNOVO GROUP INC

Dated: June 12, 1992

By _____
Patricia Anderson Lasko,
President, Chief Operating Officer and Chairman of the Board

Dated: June 12, 1992

By _____
William H. Hargraves,
Vice President of Finance and Chief Financial Officer